



# **TUCSON SUPPLEMENTAL RETIREMENT SYSTEM**

## **PLAN SUMMARY & INFORMATION GUIDE**

## **BOARD OF DIRECTORS**

January, 2010

### **CHAIRMAN:**

**Brian Bjorndahl**  
Appointed by Mayor and Council

### **MEMBERS:**

**Kelly Gottschalk**  
Finance Director

**Cindy Bezaury**  
Human Resources Director

**Kevin Larson**  
Appointed by City Manager

**Gage Andrews**  
Elected by Membership

**Walter “Brandy” Kadous**  
Elected by Membership

### **RETIREE MEMBER:**

**Jean Wilkins**  
Elected by Retired Membership

### **RETIREMENT PLAN STAFF:**

**Michael A. Hermanson, CPA – Plan Administrator**  
**Doris Rentschler, CFP – Lead Pension Analyst**  
**Michael J. Jesse – Management Analyst**  
**Claire Beaubien – Administrative Assistant**



## TUCSON SUPPLEMENTAL RETIREMENT SYSTEM

Dear Contributing Member:

This description of the Tucson Supplemental Retirement System is provided to you as a resource in determining pension benefits you are entitled to from your employment with the City of Tucson, and when you are eligible to receive those benefits. Please take time to read this booklet and familiarize yourself with the City's retirement system and its benefits.

Retirement is an important and forthcoming event in every working person's life. It is also an event for which good planning is essential if it is to be enjoyed. Familiarize yourself with the System; if you have any questions, please review this booklet or check our website at <http://www.tucsonaz.gov/retirement2/> or you may contact the TSRS office at 791-4598.

Respectfully,

Michael A. Hermanson, CPA  
TSRS Plan Administrator

## **HISTORY OF THE TUCSON SUPPLEMENTAL RETIREMENT SYSTEM**

The Tucson Supplemental Retirement System (TSRS) was established in 1953 by amendment to the City Code. Details are in Chapter 22, Article 3 of the Code (Ordinance), and are presented in a simplified manner on the following pages. In the event of discrepancies between this document and City Ordinance, the latter will take precedence.

The System is a defined benefit plan, qualified under IRS Code Section 401(a), and provides you with pension benefits calculated using a formula based on your years of creditable service, average final compensation and a multiplier. These benefits are paid from a Trust Fund, consisting of assets pooled from contributions by the employee and employer, as well as investment earnings on the system portfolio.

### **GOVERNING AUTHORITY**

The TSRS is managed by a Board of Trustees, consisting of a Chairman appointed by the Mayor and Council, the Finance Director, the Human Resources Director, and two City employees who are members of the System nominated and elected by the membership. Additionally, there is one retiree who is nominated and elected by the retired members of the System and one member appointed by the City Manager.

The Tucson Supplemental Retirement System's office is located on the 1<sup>st</sup> Floor (east) of City Hall at 255 West Alameda. Questions can be answered by calling 791-4598.

### **ONLINE INFORMATION**

Plan information is available online at <http://www.tucsonaz.gov/retirement2/> To aid in retirement planning, employees may register to use our secure online self-serve benefit estimator <https://my.gabrielroeder.com/portal/tucson/Home/tabid/357/Default.aspx>

### **MEMBERSHIP IN THE PLAN**

Membership for full-time or part-time eligible employees hired after August 1988, occupying covered positions begins immediately upon hire. Employees hired before then could not participate during the first year of employment. As a condition of employment, enrollment is mandatory and contributions will automatically be deducted from the member's paycheck on a pre-tax basis. Effective October 4, 2004, newly hired part-time employees are not eligible for membership in TSRS. At or near the start of employment, employees are asked to specify a beneficiary and are responsible for updating this information whenever necessary.

Employees in appointed positions may elect membership in the system within ninety (90) days of their hire date. You will be notified of eligibility and provided with the appropriate forms.

### **PURCHASE, TRANSFERS OR REDEMPTION OF CREDITABLE SERVICE**

The retirement system permits active TSRS members to purchase creditable service for any periods of prior government service for which the member will not receive pension benefits. Obtaining additional service credits increases the member's benefit at retirement and can accelerate retirement eligibility, but will not accelerate the required 5 year vesting period for a member. Prior service that may be purchased includes prior military service or any verified

service time worked for the City of Tucson or another governmental employer. Employees must obtain verification of their prior service before making application with the Retirement office.

The system also permits the purchase of permissive service credit where there is no requirement that the employee ever worked for another public/governmental employer. Purchases of permissive service are generally limited to a maximum of 5 years of service.

The system allows employees who return from an authorized period of leave without pay to purchase service credit for the period of leave up to a maximum of 1 year of service.

TSRS offers reciprocity for active members desiring to transfer their service credits between the system and the Arizona State Retirement System. In addition, active members that have contributions made to retirement accounts residing within a prior employer's pension system other than ASRS may apply to transfer monies and obtain TSRS service credits at the Retirement office.

If a rehired member previously elected to receive a refund of their pension contributions upon termination, the member may elect to re-establish service credits if rehire occurs within 24 months. For more complete information on the benefits and costs associated with adding service credits, contact the Retirement office.

## **CONTRIBUTIONS**

Contributions to the System are prescribed by the Mayor and Council, based upon the contribution rates recommended by the Tucson Supplemental Retirement System Board of Trustees. The City contributes at a rate of active member payroll, necessary to keep the System actuarially sound. The rate is established from an annual actuarial valuation, and intended to provide appropriate funding for the payment of retirement benefits payable to TSRS retirees. This rate, in addition to member contributions; makes up the Annual Required Contribution (ARC) rate, and is paid on a bi-weekly basis to TSRS.

As a member, you contribute a percentage of your salary. Employees hired prior to July 1, 2006 contribute 5% of their base salary. For employees hired on or after July 1, 2006, the contributions are: subject to change annually, will not be less than 5% of base salary, the annual change in contribution rate will not exceed 2.5% of base salary and the member contribution rate is set at an amount equal to 40% of the ARC rate. For members hired after July 1, 2009, the member contribution rate may be adjusted by the city in the future, but shall not exceed 50% of the ARC.

## **DEATH BENEFIT WHILE EMPLOYED**

If you die with less than five (5) years of accrued service and before becoming eligible for retirement, your beneficiary will receive the full amount of your member contributions account plus interest. If you have not named a beneficiary, this amount will be paid to your estate.

If you die after having five (5) or more years of creditable service, but before being eligible for early or normal retirement, your primary beneficiary will receive a refund of your contributions plus interest plus a like amount from the City (2 times your member account balance).

If you die after becoming eligible for early or normal service retirement, your surviving spouse or domestic partner will receive a lifetime pension benefit or a lump sum payment of twice your account balance. If you name a single beneficiary other than a spouse, a 15-year term benefit will be paid to your beneficiary. Any other designation would receive the lump sum payment.

## **REFUND**

Should you resign from employment prior to becoming a vested member of the System (attaining five (5) years of accrued service\*), upon completing an application for refund, your contributions plus any interest added to your account will be refunded to you. You may take receipt of the funds, which would be a taxable event, or the pre-tax contributions may be “rolled over” directly to certain tax qualified plans, which would not be currently taxable. If you do not complete an application for refund specifying how the funds are to be paid, after 60 days the refund will be mailed to your address of record and will be subject to taxes.

Should you resign from employment after vesting in the system (attaining five (5) years of accrued service\*) and elect a refund you will forfeit your right to receive a monthly pension benefit (See Deferred Retirement, Page 6).

\*Accrued service is service from employment or service transferred from the ASRS system. It does not include purchased service.

## **ELIGIBILITY FOR NORMAL SERVICE RETIREMENT**

Members become eligible for normal retirement benefits after attaining the age of 62 with a minimum of 5 years of creditable service<sup>1</sup> or when a combination of your age, years of creditable service, and unused sick leave and vacation leave totals at least 80.

<sup>1</sup> The 5 years minimum service credit requirement applies only to employees with an initial hire date after June 30, 2009.

## **BENEFITS**

Several income options are available to retiring members. The following two principles apply:

1. Benefits are guaranteed for the lifetime of the retiring member; and
2. The Tucson Supplemental Retirement System provides a “guaranteed payment” provision. This provides the member’s beneficiary (or beneficiaries) with a lump sum payment, if the member dies prior to receiving pension benefits equal to twice their account balance (measured at retirement). For example, if the member retires with a balance of \$100,000 in their account and they have only received 24 monthly payments of \$1,000, then the named beneficiaries would receive a lump sum payment of \$176,000 before taxes (since  $\$100,000 \times 2 = \$200,000 - \$24,000 = \$176,000$ ).

For ease in understanding the following explanations, refer to these definitions:

1. **COMPENSATION**

For the purpose of calculating your retirement benefit, compensation includes regular time worked, longevity, and any unused vacation and sick leave accrued at retirement. Shift pay and overtime earnings are not included as compensation in calculating retirement benefits.

2. **AVERAGE FINAL COMPENSATION**

Average final compensation is the average of the highest consecutive 36 months (3 years) earnings during the last 120 months (10 years) before the date of retirement.

3. **MULTIPLIER**

The percentage factor (2.25%) established by the Mayor and Council, representing the annual rate at which a member accrues benefits.

4. **CREDITABLE SERVICE (earned during years employee made contributions to TSRS, or have received service credits added by purchases or transfers)**

A member shall receive credit for each year or part of a year worked, including authorized periods of absence for which the member received compensation and contributed to the System, based upon a 2080 - hour year. This includes any unused vacation and sick leave accrued and unused at retirement.

These three components of the benefit formula are used to determine the monthly payment of your Normal Retirement Benefit. The calculation is performed as follows:

**Average Final Compensation X 2.25%**

**X Years of Creditable Service =**

**Normal Retirement Benefit**

(paid for your lifetime – benefits end at your death)

All other options are affected by and based upon on actuarial reductions of the Normal Retirement Benefit. That is, the following options provide a portion of the Normal Retirement Benefit to reflect the life expectancy of the member and their designated survivor. Survivor designations for retirement benefits are made at the time benefit selections are made at retirement. Contact the TSRS office prior to your expected retirement date so that explanations of the effect on your benefit payment and survivor benefits can be provided to you.

## **PENSION BENEFIT PAYMENT OPTIONS**

### **JOINT AND SURVIVOR OPTIONS**

#### **(100%, 75% or 50%)**

Three options are available to you, with benefits payable for your lifetime. Following your death, benefits will continue to your beneficiary at the same level (Joint and Survivor 100%), at three-fourths the level (Joint and Survivor 75%), or at one-half the level (Joint and Survivor 50%). Benefits will continue for the lifetime of the survivor.

### **LIFE OR TERM CERTAIN**

#### **(5, 10, or 15 Years)**

Three options are available, with benefits payable for your lifetime. If you die before the selected term has passed (measured from the date of the first benefit check), your named beneficiary will continue to receive benefits until the end of the term. Once the term has expired, no payments will be made to any beneficiary.

### **EARLY RETIREMENT**

To receive an early retirement benefit, you must be at least 55 years of age and have 20 years of creditable service. It provides a benefit which is reduced to allow for the earlier and longer payout period.

### **DEFERRED RETIREMENT**

A deferred retirement benefit is available to members who leave employment after obtaining five (5) years of accrued creditable service but before becoming eligible to start receiving monthly benefits. Benefit payments will start upon attaining retirement eligibility.

### **DISABILITY RETIREMENT**

If you have been a member of TSRS for 10 or more years and are totally and permanently disabled, you may apply for disability retirement benefits. Board approval is required prior to receipt of benefits and may require periodic physical evaluation for continued eligibility prior to attaining normal retirement date. A disability retirement benefit is calculated using the same formula used for a Normal Retirement Benefit (see Page 5).



## ADDITIONAL INFORMATION

### **MEMBER RESPONSIBILITIES**

Notification to the plan of any of the following:

1. Beneficiary designation (TSRS designations do not effect your life insurance or deferred compensation beneficiaries)
2. Change of address:  
**Active Employees** - Notify the Payroll Time Clerk for your Department/Organization  
**Retired Employees** - Notify TSRS Office (791-4598)
3. Schedule meeting with TSRS Office at least two weeks prior to retirement date
4. Change of employment status - resignation, rehire, return from leave without pay, return from authorized military leave, return to work after retirement, etc.

### **PLAN RESPONSIBILITIES**

The City of Tucson, as the plan sponsor for the TSRS plan, will provide the following to its members:

1. Accessible Board of Directors and service oriented staff
2. Annual Contribution Record statements (active or deferred)
3. Benefit estimates upon request (online self service estimates now available at <https://my.gabrielroeder.com/portal/tucson/Home/tabid/357/Default.aspx>)
4. Annual 1099R tax statement (retired)
5. Prompt processing of requests to refund contributions upon separation of service
6. Verification of pension income (retired) or contribution balance (employed) with appropriate authorization from you for loan, court or medical processes
7. Comprehensive Annual Financial Report (available for viewing at our office or online; limited copies available for distribution)
8. Annual pre-retirement seminars; updated Retirement Plan information at annual Benefits Fair
9. Payment of retirement benefits to eligible membership or survivor beneficiaries.

### **CONTACT INFORMATION**

If you need additional information after reviewing this plan summary document, visit the TSRS web site, or contact TSRS directly. TSRS office hours are 8:00 a.m. to 5:00 p.m. Monday through Friday, except for legal holidays. Before visiting, please call for an appointment.

#### **TUCSON SUPPLEMENTAL RETIREMENT SYSTEM**

**Physical address:** 255 WEST ALAMEDA -CITY HALL, 1<sup>st</sup> FLOOR, EAST  
Tucson, AZ 85701

**Mailing address:** P O Box 27210  
Tucson, AZ 85726-7210

**PHONE:** (520) 791-4598  
**FAX:** (520) 791-5942

**E-MAIL:** TSRS (Internal GroupWise Mailbox)  
[TSRS@TUCSONAZ.GOV](mailto:TSRS@TUCSONAZ.GOV) (External)

**Websites:** <http://www.tucsonaz.gov/retirement2/>  
**(estimator)** <https://my.gabrielroeder.com/portal/tucson/Home/tabid/357/Default.aspx>

# **NORMAL RETIREMENT BENEFIT**

## **ESTIMATED MONTHLY BENEFIT BASED ON YEARS OF CREDITABLE SERVICE**

<b>AFMC*</b>	<b>5 YEARS</b>	<b>10 YEARS</b>	<b>15 YEARS</b>	<b>20 YEARS</b>	<b>25 YEARS</b>	<b>30 YEARS</b>	<b>35 YEARS</b>
\$ 1,250	\$ 141	\$ 281	\$ 422	\$ 563	\$ 703	\$ 844	\$ 984
\$ 1,500	\$ 169	\$ 338	\$ 506	\$ 675	\$ 844	\$ 1,013	\$ 1,181
\$ 1,750	\$ 197	\$ 394	\$ 591	\$ 788	\$ 984	\$ 1,181	\$ 1,378
\$ 2,000	\$ 225	\$ 450	\$ 675	\$ 900	\$ 1,125	\$ 1,350	\$ 1,575
\$ 2,250	\$ 253	\$ 506	\$ 759	\$ 1,013	\$ 1,266	\$ 1,519	\$ 1,772
\$ 2,500	\$ 281	\$ 563	\$ 844	\$ 1,125	\$ 1,406	\$ 1,688	\$ 1,969
\$ 2,750	\$ 309	\$ 619	\$ 928	\$ 1,238	\$ 1,547	\$ 1,856	\$ 2,166
\$ 3,000	\$ 338	\$ 675	\$ 1,013	\$ 1,350	\$ 1,688	\$ 2,025	\$ 2,363
\$ 3,250	\$ 366	\$ 731	\$ 1,097	\$ 1,463	\$ 1,828	\$ 2,194	\$ 2,559
\$ 3,500	\$ 394	\$ 788	\$ 1,181	\$ 1,575	\$ 1,969	\$ 2,363	\$ 2,756
\$ 3,750	\$ 422	\$ 844	\$ 1,266	\$ 1,688	\$ 2,109	\$ 2,531	\$ 2,953
\$ 4,000	\$ 450	\$ 900	\$ 1,350	\$ 1,800	\$ 2,250	\$ 2,700	\$ 3,150
\$ 4,250	\$ 478	\$ 956	\$ 1,434	\$ 1,913	\$ 2,391	\$ 2,869	\$ 3,347
\$ 4,500	\$ 506	\$ 1,013	\$ 1,519	\$ 2,025	\$ 2,531	\$ 3,038	\$ 3,544
\$ 4,750	\$ 534	\$ 1,069	\$ 1,603	\$ 2,138	\$ 2,672	\$ 3,206	\$ 3,741

\*Average Final Monthly Compensation rounded to nearest dollar

Effective July 1, 2001 Average Final Monthly Compensation is the average salary of the three (3) highest consecutive years of service during the last ten (10) years of service. In order to determine your estimated monthly benefit, should average salary fall between those listed above, use the following formula to provide an estimate:

Average Monthly Compensation X .0225 X Years of Creditable Service.

